

**COLONIAL PINNACLE COMMUNITY
DEVELOPMENT DISTRICT**

Annual Financial Statements

**As of and for the Eighteen Months Ended
December 31, 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/17/11



**COLONIAL PINNACLE COMMUNITY
DEVELOPMENT DISTRICT**

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**As of and for the Eighteen Months Ended
December 31, 2010**

**Colonial Pinnacle Community Development District
Financial Statements
As of and for the Eighteen Months Ended December 31, 2010**

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BRANDY WESTCOTT, LLC
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1147 • SPRINGFIELD, LA • 70462
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Independent Auditor's Report on the Basic Financial Statements

**Colonial Pinnacle Community Development District
1001 Service Road East, Hwy. 190, Suite 103
Covington, LA 70433**

I have audited the accompanying financial statements of the governmental activities and each major fund of the Colonial Pinnacle Community Development District (the "District"), as of and for the eighteen months ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2010, and the respective changes in financial position as of and for the eighteen months then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 16, the District redeemed all outstanding bonds and was officially dissolved on November 4, 2010, which raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustment in the amount and classification of liabilities as a result of this matter.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 4, 2011, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Sincerely,

BRANDY WESTCOTT, LLC



Brandy Westcott Garcia, CPA
Member

June 4, 2011

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Required Supplemental Information

Management's Discussion and Analysis

**Colonial Pinnacle Community Development District
Management's Discussion and Analysis
For the eighteen months ended December 31, 2010
(UNAUDITED)**

Our discussion and analysis of Colonial Pinnacle Community Development District (the "District") financial performance provides an overview of the District's financial activity for the eighteen months ended December 31, 2010. It should be read in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for period ending December 31, 2010 include the following:

- The liabilities of the District were equal to its assets at December 31, 2010. Total assets were \$17,078.27 and total liabilities were \$17,078.27.

OVERVIEW OF THE FINANCIAL STATEMENTS. The MD&A is intended to serve as an introduction to the District's basic financial statements which are the government-wide financial statements, the fund financial statements and the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements are designed by GASB Statement 34 to change the presentation of governmental financial statements. It provides readers with an "entity-wide" Statement of Net Assets and Statement of Activities. This gives the user of the financial statements a board overview of the District's financial position and results of operations in a manner similar to a private sector business.

The Statement of Net Assets presents information on all of the District's assets less liabilities, which results in net assets. The statement is designed to display the financial position of the District. Over time, increases or decreases in net assets helps determine whether financial position is improving or deteriorating.

The Statement of Activities provides information that shows how the District's net assets changed as a result of the year's activities. The statement uses accrual basis of accounting, similar to private-sector businesses. All changes in net assets are reported as soon as the underlying event giving rise to the revenue or expense occurs, regardless of when the cash is received or paid.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the District are governmental type funds. Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

Thus, the readers may get a better understanding of the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The District did not adopt an annual budget for the eighteen months ended December 31, 2010 .

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT

STATEMENT OF NET ASSETS

	June 30, 2009	December 31, 2010
Assets		
Current Assets		
Cash & Cash Equivalents	\$14,099,979.74	\$ 17,078.27
Investments-Restricted	2,053,466.80	-
Total Current Assets	16,153,446.54	17,078.27
Noncurrent Assets		
Interest Receivable	-	-
Assessment Receivable	24,000,000.00	-
Plant, Property and Equipment (net)	5,826,040.42	-
Underwriter's Discount	569,491.53	-
Cost of Issuance	194,396.88	-
Total Noncurrent Assets	30,589,928.83	-
Total Assets	46,743,375.37	17,078.27
Liabilities		
Current Liabilities		
Professional Fees Payable	-	6,250.00
Payable to Developer	-	10,828.27
Total Current Liabilities	-	17,078.27
Noncurrent Liabilities		
Interest Payable on Bonds	277,787.50	-
Professional Fees Payable	-	-
Deferred Revenue	24,000,000.00	-
Bonds Payable	24,000,000.00	-
Total Long-term Liabilities	48,277,787.50	-
Total Liabilities	48,277,787.50	17,078.27
Net Assets		
Invested in Capital Assets, net of related debt	739,254.68	-

Restricted for capital projects	129,959.30	-
Restricted for debt service	-	-
Unrestricted	(2,736,580.57)	-
Total Net Assets	<u>\$(1,867,366.59)</u>	<u>\$ -</u>

STATEMENT OF ACTIVITIES

The District provides infrastructure for the District and accounts for the related debt.

Sources of revenue for the District include bond proceeds, earnings on investments and assessments on property. The following condensed Statement of Activities shows the major sources of revenues and expenses.

	Revenue	June 30, 2009	December 31, 2010
Interest Earned		\$ 284,891.86	\$ 46,093.20
Other Assessments		-	16,527.23
Assessments on Land		-	-
Total Revenues		<u>284,891.86</u>	<u>62,620.43</u>
Expenses			
Professional Fees		-	62,500.00
Depreciation		24,633.73	-
Interest		2,009,330.08	759,285.33
Loss on Investment		67,372.05	23,466.80
Trustee Fees		10,000.00	8,940.00
Bond Discount		30,508.47	-
Cost of Issuance		10,414.12	-
Total Expenses		<u>2,152,258.45</u>	<u>854,192.13</u>
Special Items:			
Transfer of Assets to Governmental Entities		-	(3,724,652.68)
Sales of Assets		-	380,059.66
Bond Redemption		-	6,014,359.58
Amount Due to Developer		-	(10,828.27)
Increase (Decrease) in Net Assets		\$ (1,867,366.59)	1,867,366.59
Net Assets at Beginning of Year		<u>-</u>	<u>1,867,366.59</u>
Net Assets, End of Year		<u>\$(1,867,366.59)</u>	<u>\$ -</u>

Revenue

Interest and dividend earnings on investments were \$46,093.20. This is earnings on money in the trust money market accounts and money invested in government securities. Special Assessments primarily related to interest payments totaled \$16,527.23 for the eighteen months ended December 31, 2010.

Expenses

The interest on the bonds was \$759,285.83 for the current period. This reflects the amount paid to satisfy debt service. The District suffered a loss on investment of \$23,466.80 due to the market value of the investments being less than the cost of the investment.

Budgetary Highlights

The District did not adopt a budget for the period ending December 31, 2010. Amendment Number 1 of the Master Trust Indenture dated November 1, 2009, and a Letter of Direction dated December 15, 2009, redeemed the Series 2008 bonds. On the Parish Council of St. Tammany Parish dissolved the District. Due to redemption of the bonds as indicated in and the dissolution of the district, the adoption of a budget was no longer required.

Capital Assets

The District's had no capital assets at December 31, 2010. The District transferred certain infrastructure to the Parish of St. Tammany. The cost of this transfer was \$3,724,652.68. The District sold the remaining infrastructure at a gain of \$380,069.66 (See Dissolution of the District)

Long Term Debt

In 2008, the District issued \$24,000,000.00 Series 2008 Special Assessment Bonds to fund the construction, installation and acquisition of master infrastructure improvements within the District. The District redeemed the \$24,000,000.00 bonds and at December 31, 2010, the District had no outstanding bonds payable. (See Dissolution of the District).

Dissolution of the District

The Series 2008 Bonds were issued pursuant to a Trust Indenture to finance certain capital infrastructure improvements. In a effort to restructure the bonded indebtedness, the developer, CP Nord du Lac JV, LLC became the sole owner of the outstanding bonds and consented to the redemption of the bonds.

In order to accomplish the redemption of the bonds and the dissolution of the district, the District had to transfer and/or sell all of its assets and eliminate its liabilities.

To transfer and sell its capital assets, on October 1, 2009, the District adopted Resolution 2009-3 in which the District donated a certain piece of property and the roadway thereon to the Parish of St. Tammany. The cost of the of the land and roadway was \$3,724,652.68. On October 23, 2009, the Board of Supervisors adopted Ordinance 2009-3 which declared certain District property surplus and no longer need for public purpose. Louisiana Revised Statute 41:1338 requires the District to first offer the property to sale to the party from whom the property was acquired. The property was acquired from CP Nord Du Lac JV, LLC. The District approved the offer of the Property for sale at a price equal to the fair market value as established by a licensed appraiser to CP Nord Du Lac JV, LLC. The original cost of the land \$2,165,940.34 and the sales price was \$2,546,000.00, resulting in a gain of \$380,059.66 on the sale of the land.

To eliminate its liabilities, the District, adopted Bond Resolution 2009-4 approving the redemption and satisfaction of the bonds. Pursuant to Amendment Number 1 of the Master Trust Indenture dated November 1, 2009, and a Letter of Direction dated December 15, 2009, the Series 2008

bonds were called in the amount of \$24,000,000.00 in aggregate principal. In order to accomplish the redemption, the Trustee was directed to transfer all the monies on deposit in the various funds and accounts of the issuer to the Bond Redemption Fund, less and except i) \$203,711.15, which amount shall remain in the Interest Account of the Debt Service Fund and be used to pay accrued interest on the Bonds to the date of redemption, and ii) \$71,000.00, which amount has been allocated to pay costs of satisfaction. In addition, the Trustee was to retain \$5,000.00 in the Debt Service Fund pending final arbitrage calculation. Additionally, any residual funds remaining after completion of the transactions required by the bond redemption and satisfaction shall be paid to the Developer as additional consideration for the satisfaction of the bonds.

The remaining asset, money in a trust account with Hancock Bank of Louisiana, in the amount of \$17,078.27 was earmarked of the payment of professional fees in the amount of \$6,250.00 and the residual amount of \$10,828.27 to be paid to the developer as additional consideration for the satisfaction of the Bonds.

The District, having redeemed all of its outstanding debt and transferring and selling all of its infrastructure, no longer served the purpose for which it was created and on November 4, 2010, the St. Tammany Parish Council adopted Ordinance 10-2376 which dissolved the District.

CURRENT AND EXPECTED CONDITIONS

The District was dissolved by the St. Tammany Parish Council and the remaining asset, money in a trust account with Hancock Bank of Louisiana in the amount of \$17,078.27, was earmarked for the payment of professional fees in the amount of \$6,250.00 and the residual amount of \$10,828.27 to be paid to the developer as additional consideration for the satisfaction of the Bonds.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District at 1001 Service Road East, Highway 190, Suite 103, Covington, LA 70433.

Basic Financial Statements

Government-Wide Financial Statements

Colonial Pinnacle Community Development District
Statement of Net Assets
December 31, 2010

Statement A

ASSETS

Current Assets

Cash & Cash Equivalents-Restricted	\$ 17,078
Investments - Restricted	-
Total Current Assets	17,078

Noncurrent Assets

Interest Receivable	-
Assessments Receivable	-
Plant, Property and Equipment (Net)	-
Underwriter's Discount	-
Cost of Issuance	-
Total Noncurrent Assets	-

Total Assets	17,078
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LIABILITIES

Current Liabilities

Interest Payable on Bonds	-
Professional Fees Payable	6,250
Payable to Developer	10,828
Deferred Revenue	-
Bonds Payable	-
Total Current Liabilities	17,078

Total Liabilities	17,078
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NET ASSETS

Net Assets

Invested in capital assets, net of related debt	-
Net Assets Restricted	-
Net Assets Unrestricted	-
Total Net Assets	\$ -

The accompanying notes are an integral part of these financial statements.

Colonial Pinnacle Community Development District
Statement of Activities
For the Eighteen Months Ended December 31, 2010

Statement B

	Expenses	Program Revenues Operating Grants	Net Revenue (Expense) and Changes in Net Assets Governmental Activities
Expenses			
Governmental Activities -			
Bond Interest	\$ 759,285.33	\$ -	\$ 759,285.33
Cost of Issuance	-	-	-
Bond Discount	-	-	-
Loss on Investment	23,466.80	-	23,466.80
Professional Fees	62,500.00	-	62,500.00
Trustee Fee	8,940.00	-	8,940.00
Depreciation Expense	-	-	-
Total Expenses	\$ 854,192.13	\$ -	854,192.13
General Revenues			
Assessments on Lots			-
Other Assessments			16,527.23
Interest			46,093.20
Total General Revenues			62,620.43
Special Item:			
Transfer of Assets to Governmental Entities			(3,724,652.68)
Sale of Assets			380,059.66
Bond Redemption			6,014,359.58
Amount Due to Developer			(10,828.27)
Increase (Decrease), in Net Assets			1,867,366.59
Net Assets at the Beginning of the Year			(1,867,366.59)
Net Assets, End of Year			\$ -

The accompanying notes are an integral part of these financial statements.

Basic Financial Statements

Governmental Funds Financial Statements

Colonial Pinnacle Community Development District
Balance Sheet
Governmental Funds
December 31, 2010

Statement C

	Capital Projects	Debt Service	Total Governmental Funds
Assets			
Cash & Cash Equivalents-Restricted	\$ -	\$ 17,078.27	\$ 17,078.27
Investments- Restricted	-	-	-
Assessments Receivable	-	-	-
Due from Debt Service Fund	-	-	-
Total Assets	<u>-</u>	<u>17,078.27</u>	<u>17,078.27</u>
Liabilities & Fund Balance			
Liabilities:			
Deferred Revenue	-	-	-
Accrued Liabilities	-	17,078.27	17,078.27
Intergovernmental Payable	-	-	-
Total Liabilities	<u>-</u>	<u>17,078.27</u>	<u>17,078.27</u>
Fund Balance:			
Restricted for Debt Service	-	-	-
Restricted for Capital Projects	-	-	-
Unreserved	-	-	-
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities & Fund Balance	<u>\$ -</u>	<u>\$ 17,078.27</u>	<u>\$ 17,078.27</u>

The accompanying notes are an integral part of these financial statements.

**Colonial Pinnacle Community Development District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
December 31, 2010**

Total Fund Balances, Governmental Funds **\$ -**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Governmental capital assets, net of Accumulated Depreciation	-
Unamortized debt issue cost which are recorded as current expenditures in governmental activities	-
Unamortized bond discount cost which are recorded as current expenditures in governmental activities	-
Accrued professional fees not recorded in governmental activities	-
Accrued bond interest not recorded in governmental activities	-
Interest receivable not recorded in governmental activities	-

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Bonds payable	-
---------------	---

Net Assets, Governmental Activities **\$ -**

The accompanying notes are integral part of these financial statements.

Colonial Pinnacle Community Development District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Eighteen Months Ended December 31, 2010

Statement E

	Capital Projects Fund	Debt Service	Total Governmental Funds
Revenues			
Other Assessments	\$ -	\$ 16,527.23	\$ 16,527.23
Assessments on Lots	-	-	-
Interest Earned	340.59	45,752.61	46,093.20
Total Revenues	<u>340.59</u>	<u>62,279.84</u>	<u>62,620.43</u>
Expenditures			
<i>Current Expenditures:</i>			
<i>Capital Outlay:</i>			
Capital Outlay	64,552.61	-	64,552.61
<i>Debt Service:</i>			
Loss on Investment	-	23,466.80	23,466.80
Interest	-	1,037,073.33	1,037,073.33
Principal	-	-	-
Trustee Fee	-	8,940.00	8,940.00
Professional Services	-	62,500.00	62,500.00
Cost of Issuance	-	-	-
Total Expenditures	<u>64,552.61</u>	<u>1,131,980.13</u>	<u>1,196,532.74</u>
Excess Revenues over Expenditures	<u>(64,212.02)</u>	<u>(1,069,700.29)</u>	<u>(1,133,912.31)</u>
Other Financing Sources (Uses)			
Sales of Infrastructure	-	2,546,000.00	2,546,000.00
Bond Redemption	(12,858,877.63)	(4,362,874.37)	(17,221,752.00)
Transfers Out	(63.14)	63.14	-
Bond Proceeds	-	-	-
Amount Due to Developer	-	(10,828.27)	(10,828.27)
Net Change in Fund Balance	<u>(12,923,152.79)</u>	<u>(2,897,339.79)</u>	<u>(15,820,492.58)</u>
Fund Balance, Beginning of Year	<u>12,923,152.79</u>	<u>2,897,339.79</u>	<u>15,820,492.58</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Colonial Pinnacle Community Development District
Reconciliation of the Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Eighteen Months Ended December 31, 2010

Total Net Change in Fund Balances, Governmental Funds **\$ (15,820,492.58)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. These differences consist of:

Capital outlay	64,552.61
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term debt in the statement of net assets

Bond Redemption	23,236,111.58
Principal on Bonds	-
Bond Discount	-

Some revenue reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds. These differences consist of:

Sales of Assets	(2,165,940.34)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These differences consist of:

Accrued Interest	277,788.00
Professional Fees Payable	-
Transfer of Assets to Governmental Entities	<u>(3,724,652.68)</u>

Change in Net Assets, Governmental Activities **\$ 1,867,366.59**

The accompanying notes are integral part of these financial statements.

Basic Financial Statements

Notes to the Financial Statements

Colonial Pinnacle Community Development District
Notes to the Financial Statements
December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

"Community Development District" or "District" means a special District as provided in Article VI, Section 19 of the Constitution of Louisiana, which is created pursuant to this Chapter and limited to the performance of those specialized functions authorized by this Chapter, the boundaries of which are contained wholly within a single parish; the governing head of which is a body created, organized and constituted and authorized to function specifically as prescribed in this Chapter for the delivery of community development services; and the formation, powers, governing body, operation, duration, accountability, requirements for disclosure, and termination of, as required by general law.

A. Reporting Entity

Colonial Pinnacle Community Development District, Parish of St. Tammany, State of Louisiana (the "District") is a special district organized and existing under the provisions of Chapter 27-B of Title 33 of the Louisiana Statutes of 1950, as amended, specifically LA. RS. 33:9039.11 through 9039.37, inclusive (the "Act"), and pursuant to Ordinance Council Series No. 07-1508 duly adopted by the Council Members of the St. Tammany Parish Council, State of Louisiana, effective on January 7, 2007, as amended by Ordinance Series No. 07-1613 duly adopted by the Parish Council on June 29, 2007, as further amended by Ordinance Council Series No. 07-1700 duly adopted by the Parish Council on November 1, 2007 (collectively, the "Ordinance"); the District is comprised of and includes all of the immovable property situated within the described boundaries of the District.

The District is an entity administered by a Board of Supervisors ("Board") that acts as the authoritative and legislative body of the entity. The Board is comprised of five Board members, serving a term of four years. Of the five, two are appointed as officers of the District; Chairman and Secretary.

The Board of Supervisors appoints the Chairman of the Board from existing Board members. The Chairman's responsibilities are to preside at all meetings of the Board; be the chief officer of the District; perform all duties commonly incident to the position of presiding officer of a Board, commission or business organization and exercise supervision over the business of the District, its officers and employees.

Members of the Board are known as supervisors and, upon entering into office take an oath of office. They hold office for the term for which they were elected or appointed and until their successors are chosen and qualified. If, during the term of office, a vacancy occurs, the remaining members of the Board fill the vacancy by an appointment for the remainder of the unexpired term.

Pursuant to the provisions of the Act, the District is authorized to finance, fund, plan, establish, acquire, construct or reconstruct, enlarge, extend, equip, operate and maintain systems, facilities and basic infrastructure for the following: 1) water management and control for the lands on the District, including the connection of some or any of such facilities with road and bridges; 2) water supply, sewer and wastewater management, reclamation and refuse, or any combination thereof; 3) bridges or culverts that may be needed across any drain, ditch, canal, floodway, holding basin, excavation, public highway, tract, grade, fill or cut and roadways over levees and embankments and 4) roads and streets in the District.

The District is authorized by the Act to levy and collect non-ad valorem special assessments against all immovable property situated in the District that is subject to assessment as a result of the projects to finance, fund, plan, establish, acquire, construct, or reconstruct, enlarge, extend, equip, operate and maintain systems, facilities and basic infrastructure for the District. The Board of the District shall exercise the powers granted to the District pursuant to this Chapter. The Board shall consist of five members; except as otherwise provided herein, each member shall hold for a term of four years and until a successor is chosen and qualifies. The initial members of the Board shall be residents of the state, and at least one of the initial members shall be a resident of the area immediately adjacent to the District. Commencing six years after the initial appointment of members, the positions of each member whose term has expired shall be filled by a qualified elector of the District, elected by the qualified electors of the district in accordance with Title 18 of the Louisiana Revised Statutes of 1950. However, in Districts consisting of a population of less than six hundred persons, the governing authority of the parish or municipality that created the District shall appoint members of the Board.

A majority of the members of the Board constitutes a quorum for the purposes of conducting its business and exercising its powers and for all other purposes. Actions taken by the District shall be upon the vote of a majority of the members present unless general law or a rule of the District requires a greater number.

Pursuant to the Master Trust Indenture, dated March 1, 2008 (the "Indenture"), the District was authorized to and did issue \$24,000,000 of its Special Assessment Bonds, Series 2008. On October 1, 2009, the District adopted Resolution 2009-3 in which the District donated a certain piece of property and the roadway thereon to the Parish of St. Tammany.

On October 23, 2009, the Board of Supervisors adopted Ordinance 2009-3 which declared certain District property surplus and no longer need for public purpose. Louisiana Revised Statute 41:1338 requires the District to first offer the property to sale to the party from whom the property was acquired. The property was acquired from the Developer, CP Nord Du Lac JV, LLC (the "Developer"). The District approved the offer of the property for sale at a price equal to the fair market value as established by a licensed appraiser to CP Nord Du Lac JV, LLC.

Pursuant to Amendment Number 1 of the Master Trust Indenture dated November 1, 2009, and a Letter of Direction dated December 15, 2009, the Series 2008 bonds were called in the amount of \$24,000,000.00 in aggregate principal.

The District, having redeemed all of its outstanding debt and transferring and selling all of its infrastructure, no longer served the purpose for which it was created and on November 4, 2010, the St. Tammany Parish Council adopted Ordinance 10-2376 which dissolved the District.

The accompanying general purpose financial statements comply with the provisions of GASB Statement No. 14 "The Financial Reporting Entity," in that the financial statements include all organizations, activities, and functions that compromise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body; and whether 1) the District's ability to impose its will over the organization or 2) the potential that the organization will provide a financial benefit to, or impose a financial burden, on the District. Using these criteria, the District has no component units.

B. Government-Wide and Fund Financial Statements

The government -wide financial statements (i.e., the statement of net assets and the statements of changes in net assets) report information on all of the nonfiduciary activities of the District. The statement of activities, demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly

identifiable with a specific function or segment. *Program revenues* include: 1) changes to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with sixty-one days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Grants and entitlements and interest associated with the current fiscal period are all considered being susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The District has two governmental funds.

The District reports the following governmental funds:

Debt Service Fund - The Debt Service Fund accounts for the accumulation of financial resources for payment of interest and principal on the debt of the District.

Capital Projects Fund - The Capital Projects Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Revenues and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the period in which the resources are measurable and become available. Available means that the resources will be collected within the current period or are expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For the District, available means expected to be received within sixty-one days of fiscal year end. Under the modified accrual basis, only interest is considered to be both measurable and available at fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving value in return, includes grants and donations. On an accrual basis, revenue from grants and donations is

recognized in the Initial Period in which all eligibility requirements have been satisfied. Eligibility requirements include: 1) timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; 2) matching requirements, in which the District must provide local resources to be used for a specific purpose and 3) expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Expenses/Expenditures

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

D. Cash and Cash Equivalents

The entity's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash received by the District is deposited into demand deposits and daily investment accounts. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "Investments-Restricted". For presentation in the financial statements, investments in the Money Market Accounts are considered to be cash equivalents.

E. Restricted Assets

Restricted assets are cash, cash equivalents and investments whose use is limited by legal requirements. Restricted cash, cash equivalents and investments represent amounts required by debt covenant to be segregated for final year debt payment and accrued interest on the Bonds. Restricted cash, cash equivalents and investments also represent special assessment proceeds restricted for completion of the District's infrastructure projects. The Trustee, pursuant to the Master Indenture Agreement, has established accounts for the following purposes:

- a) *Debt Service Fund - Interest Account* - An account used to transfer funds to pay interest payments. Included within is the Capitalized Interest subaccount used to funds bond interest during the construction period.
- b) *Debt Service Fund - Principal Account* - An account used to transfer funds to pay principal payments.
- c) *Debt Service Reserve Fund* - An account funded from bond proceeds used to replenish the interest and principal accounts in case of deficiency or to pay debt service if no other money is lawfully available (i.e. insurance proceeds).
- d) *Project Fund* - An account from which payments are made for cost of planning, financing, acquisition, construction, reconstruction, equipping and installation of the applicable Project. Before any disbursements are made from this fund, the Issuer must file with the Trustee a fully executed requisition.
- e) *Revenue Fund* - An account to which special assessments are deposited. These special assessments are not the prepayments which are deposited into the bond Redemption Fund.

- f) *Rebate Fund* - An account used to make all rebate payments to the United States of America pursuant to the Arbitrage Rebate Covenants.
- g) *Bond Redemption Fund* - An account into which all funds from special assessments and any excess moneys remaining in the Series 2008 Acquisition and Construction Fund after completion of the project are deposited.
- h) *Administration Expense Fund* - An account in which funds from the Revenue Account and other amounts deposited with the Trustee are used to pay administrative expenses associated with the bond issue.

Each bond issue has the following accounts, set up by the Trustee and the amounts in these accounts are restricted to the use as the account indicates.

	2008 Bond Issue
Revenue Fund	\$ 17,078.27
Total 2008 Bond Issue	\$ 17,078.27

Reserve Requirement

Per the Trust Indenture dated March 1, 2008, the Debt Service Requirement was equal to the least of the following as adjusted for prepayments: 1) the maximum annual Debt Service Requirements for the Outstanding Bonds; 2) 125% of the average annual Debt Service Requirements for the Outstanding Bonds or 3) 10% of the original proceeds of the Bonds. Pursuant to Amendment Number 1 of the Master Trust Indenture dated November 1, 2009, and a Letter of Direction dated December 15, 2009, the Series 2008 bonds were called in the amount of \$24,000,000.00 in aggregate principal, thus eliminating the Debt Service Reserve Requirement.

F. Interfund Transaction

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

G. Capital Assets

General capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated</u>
Land, Right of Ways, Lakes and Ponds	N/A
Roads, and Streets	40
Drainage	25
Landscaping	25
Utility Plants & Systems	25
Entrance	25

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

I. Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

K. Assessment Methodology

The District's Special Assessments are a type of non-ad valorem benefit special assessments which are levied against District Lands based upon the special benefit to accrue to such District lands as a result of the implementation of the Projects. Non-ad valorem assessments are not based upon millage and can become a lien against homestead property as permitted under the provisions of the Act. The methodology used to establish and determine the benefit special assessments which will pay the cost of the Project has been presented to and approved by the Board of Supervisors of the District and is set forth in the Assessment & Allocation Report (the "Assessment and Allocation Report") prepared by Duplantis Design Group, PC, a licensed engineer firm (the Firm).

The Firm determined and established the special assessment that was levied against all assessable property in the District. The Firm determined that the assessments would be an amount sufficient to provide for the cost of the public improvements, a debt service reserve fund, capitalized interest, cost of issuance on the bonds and an administrative expense fee of up to \$30,000 per year.

Based on the Firm's report, the assessment was allocated as follows:

<u>Lot or Tract</u>	<u>Allocable Assessment</u>	<u>Description</u>
A	-0-	Dillard's Parcel
B	-0-	Kohl's Parcel
C	\$22,222,338.00	Lifestyle Center
D	-0-	Excluded
E	-0-	Outlots(included in C)
F	\$1,777,662.00	Outlots 413, 414

To the extent the single tax parcel is subdivided in the future, the assessment will be allocated based on the square foot area of the building for all property within the District with the exception of the Dillard's Parcel, the Kohl's Parcel and property outside the interior ring road referred to as "outparcels". Outparcels will be assess based on one-third of the total land area as opposed to building area because of: i) the higher demand on the road network; ii) the higher demand on drainage due to impermeable area and iii) the higher demand on water and sewer service as outlots are typically restaurants. The Dillard's Parcel and the Kohl's Parcel have been exempted

from the Assessment as the pro rate cost of the public improvements have been deemed paid by the Developer.

Pursuant to the Satisfaction and Release of Indenture (Series 2008 Bonds), and of Special Benefit Assessment, by and between Colonial Pinnacle Community Development District and Hancock Bank of Louisiana dated October 27, 2009, and Amendment Number 1 to the Master Trust Indenture dated November 1, 2009, it was declared that all conditions required to defease the Bonds under Section 13.01 of the Indenture dated March 1, 2008, have been fully satisfied and the rights and liens created by the Indenture and the Assessment Ordinance, including the right to impose, levy and collect Special Assessments shall cease and be void.

L. Prepaid Items

Prepaid items reflect items that have been paid that benefit future periods.

M. Special Bond Provisions

The Series 2008 bonds were limited obligations of the District payable solely from and secured by the pledge and assignment of and lien upon the pledged revenues pursuant to the indenture and neither the property, the full faith and credit, nor the taxing power of the District, the Parish, the State of Louisiana, or any political subdivision thereof, is pledged as security for the payment of the Bonds, except that the District is obligated under the indenture and the Act to levy and to evidence and certify, or cause to be certified, for collection, special assessments to secure and pay the Bonds. The Bonds do not constitute an indebtedness of the District, the Parish, the State of Louisiana, or any political subdivision thereof within the meaning of any constitutional or statutory provision or limitation.

The Series 2008 Bonds authorized under the indenture and the obligation evidenced thereby do not constitute a lien upon any property of the District, including, without limitation, the project or any portion thereof in respect of which such Bonds are being issued, or any part thereof, but shall constitute a lien only on the pledged revenues as set forth in the indenture. Nothing in the Bonds authorized under the indentures or in the indentures shall be construed as obligating the District to pay the Bonds or the redemption price thereof or the interest thereon except from the pledged revenues, or as pledging the faith and credit of the District, the Parish or the State of Louisiana or any political subdivision thereof, or as obligating the District, the Parish or the State of Louisiana or any of its political subdivisions, directly or indirectly or contingently, to levy (except for the special assessments levied by the District) or to pledge any form of taxation.

Pursuant to Amendment Number 1 of the Master Trust Indenture dated November 1, 2009, and a Letter of Direction dated December 15, 2009, the Series 2008 bonds were called in the amount of \$24,000,000.00 in aggregate principal. In order to accomplish the redemption, the Trustee was directed to transfer all the monies on deposit in the various funds and accounts of the issuer to the Bond Redemption Fund, less and except i) \$203,711.15, which amount shall remain in the Interest Account of the Debt Service Fund and be used to pay accrued interest on the Bonds to the date of redemption, and ii) \$71,000.00, which amount has been allocated to pay costs of satisfaction. In addition, the Trustee was to retain \$5,000.00 in the Debt Service Fund pending final arbitrage calculation. Additionally, any residual funds remaining after completion of the transactions required by the bond redemption and satisfaction are to be paid to the Developer as additional consideration for the satisfaction of the bonds. The amount due to the developer is \$10,828.27.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a state agency, the District is subject to various state laws and regulations. The District complies with all state laws and regulations requiring the use of separate funds.

3. CASH AND INVESTMENTS

The District is authorized per the Trust Indenture, to make direct investments in: a) government obligations or b) any short term government fund whose assets consist of: i) government obligations or ii) bonds, debentures, notes or other evidences issued by any of the following agencies or such other government sponsored agencies which may presently exist or be created; provided that such bond, debentures, notes or other evidences of indebtedness are fully guaranteed as to both principal and interest by the United State of America:

Bank for Cooperative
Federal Intermediate Credit Banks
Federal Home Loan Bank System
Export Import Bank of the United States
Rural Economic Community Development Administration
Farm Credit System Financial Assistance Corporation
Small Business Administration
Inter American Development Bank
International Bank of Reconstruction and Development
Federal Land Banks
The Federal National Mortgage Association
The Government National Mortgage Association
The Tennessee Valley Authority
The Washing Metropolitan Area Transit Authority

Moneys in the Debt Service Fund and in the Bond Redemption Fund shall be invested only in:

- a) Negotiable or non negotiable certificates of deposit, time deposits or other similar bank arrangements issued by any bank or trust company, including the Trustee, or any federal savings and loan associations, the deposits of which are insured by the Federal Deposit Insurance Corporation;
- b) Bank or broker repurchase agreements fully secured by securities of government obligations or securities listed as ii) in the proceeding paragraph;
- c) Any short term government funds whose assets consist of: 1) government obligations; 2) securities listed as ii) in the preceding paragraph and 3) direct and general obligations of any state of the United States, the payment of principal and interest on which the full faith and credit of such state is pledged, if at the time of purchase such obligations are rated in either of the two highest rating categories by S&P and Moody's;
- d) Certificates evidencing a direct ownership interest in non callable Government Obligations or in the future interest or principal payments thereon held in a custody account by a custodian satisfactory to the Trustee, and obligations of any state of the United States of America or any political subdivision, public instrumentality or public authority of any such state which are not subject to redemption prior to the dated on which the proceeds attributable to the principal of such obligations are to be used and which are fully secured by and payable solely from non callable Government Obligations held pursuant to an escrow agreement satisfactory to the Trustee, provided that such obligations shall be rated in the highest rating category of Moody's and S&P;
- e) Shares of any open end, SEC registered money market mutual funds which invest its assets in government obligations, securities described as item ii) in the preceding paragraph or securities described in 3) of item c) above.

The District's deposits at December 31, 2010 are all classified as cash equivalents as described in Note 1. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit. These securities are held by and in the name of the pledging fiscal agent bank or in a holding or custodial bank that is mutually acceptable to both parties. Under state law, deposits held in a separate trust account are not required to have pledged securities in the name of the government; however the bank must deposit with an unaffiliated bank pledged securities to cover the deposits held in trust. All deposits at December 31, 2010 were fully insured by federal insurance.

Prior period investments totaling \$2,053,466.80 matured in the current period. Current period investment activity included \$23,466.80 investment loss on all matured investments.

4. BENEFIT AND MAINTENANCE SPECIAL ASSESSMENTS

Levy of Maintenance Special Assessment

There were no maintenance special assessment levied in initial period.

Levy of Benefit Special Assessments

The District's Special Assessments are a type of non-ad valorem benefit special assessments which are levied against District Lands based upon the special benefit to accrue to such District Lands as a result of the implementation of the Projects. Non-ad valorem assessments are not based upon millage and can become a lien against homestead property as permitted under the provisions of the Act.

Pursuant to the provisions of the Act, particularly Section 9039.29 (A), the Board determined, ordered, and levied the annual installment for year 2008 regarding the Special Benefit Assessments on all specially benefitted immovable property in the District, all as specified on the Assessment Schedule. The Board shall annually determine, order and levy the annual installment of the total benefit special assessments for bonds issued and related expenses to finance District facilities and projects which are levied under state law. These assessments may be due and collected during each year that parish taxes are due and collected, in which case such annual installment and levy shall be evidences and certified to the assessor by the Board not later than August 31, of each year, and such assessment shall be entered by the assessor on the parish tax rolls, and shall be collected and enforced by the tax collector in the same manner and at the same time as parish taxes, and the proceeds thereof shall be paid to the District. The District Board has opted to collect its own assessments and does not utilize the parish assessor nor tax collector.

Special assessments totaling \$16,527.23 were levied and collected in 2010 to pay for the cost of a bond holder's list and to assist with the payment of interest on the bonds.

Enforcement of Lien Nonpayment

Collection of the Special Assessment levied are enforceable in the manner provided by law, particularly the provisions of Sections 9039.29 and 9039.30 of the Act. Special Assessments constitute a lien on the property against which assessed until paid and shall be on parity with the lien of state, parish, municipal and school board taxes a lien in favor of the District arising under RS 33:9039.30 may be enforced by the District in a court of competent jurisdiction as provided by law. Such proceedings may be brought at any time after the expiration of one year from the date that any tax, or installment thereof, becomes delinquent.

5. ASSESSMENTS RECEIVABLE

The total of the special assessments have been accounted for in accounts receivable and deferred revenue. At the time the assessments are paid, the amount in the corresponding accounts are reduced by the payment of the assessment levied.

Pursuant to the Satisfaction and Release of Indenture (Series 2008 Bonds), and Special Benefit Assessment by and between Colonial Pinnacle Community Development District and Hancock Bank of Louisiana dated October 27, 2009, it was declared that all conditions required to defease the Bonds under Section 13.01 of the Indenture dated March 1, 2008, have been fully satisfied and the rights and liens created by the Indenture and the Assessment Ordinance, including the right to impose, levy and collect Special Assessments shall cease and be void.

6. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance 06/30/2009	Increases	Decreases	Balance 12/31/2010
Capital Assets Not Being Depreciated:				
Land for Infrastructure	\$3,879,975.69	\$ -	\$3,879,975.69	\$ -
Total Capital Assets Not Being Depreciated	3,879,975.69	-	3,879,975.69	-
Capital Assets Being Depreciated:				
Streets	1,970,698.46	64,552.61	2,035,251.07	-
Total Capital Assets - Depreciated	1,970,698.46	64,552.61	2,035,251.07	-
Less: Accumulated Depreciation For:				
Streets	(24,633.73)	-	(24,633.73)	-
Total Accumulated Depreciation	(24,633.73)	-	(24,633.73)	-
Capital Assets Being Depreciated, Net	1,946,064.73	64,552.61	2,010,617.34	-
Total Capital Assets, Net	\$5,826,040.42	\$64,552.61	\$5,890,593.03	\$ -

On October 1, 2009, the District adopted Resolution 2009-3 in which the District donated a certain piece of property and the roadway thereon to the Parish of St. Tammany. The cost of the of the land and roadway was \$3,724,652.68.

On October 23, 2009, the Board of Supervisors adopted Ordinance 2009-3 which declared certain District property surplus and no longer need for public purpose. Louisiana Revised Statute 41:1338 requires the District to first offer the property to sale to the party from whom the property was acquired. The property was acquired from CP Nord Du Lac JV, LLC. The District approved the offer of the Property for sale at a price equal to the fair market value as established by a licensed appraiser to CP Nord Du Lac JV, LLC. The original cost of the land \$2,165,940.34 and the sales price was \$2,546,000.00, resulting in a gain of \$380,059.66 on the sale of the land.

7. BOND ISSUE AND BOND DISCOUNT COSTS

Bond issuance and discount cost are amortized over the life of the Bonds using the straight-line method. At June 30, 2009 ending balances of the unamortized Bond Discount and Bond Issuance Cost were \$569,491.53 and 194,396.88, respectively. Pursuant to the Satisfaction and Release of Indenture (Series 2008 Bonds), and of Special Benefit Assessment by and between Colonial Pinnacle Community

Development District and Hancock Bank of Louisiana dated October 27, 2009, it was declared that all conditions required to defease the Bonds under Section 13.01 of the Indenture dated March 1, 2008, have been fully satisfied and the unamortized Bonds Discount and Cost of Issuance have been fully written off in the period ending December 31, 2010.

8. LONG-TERM OBLIGATIONS

This Board of Supervisors duly adopted resolutions on June 12, 2007 and March 17, 2008, authorizing the issuance of not exceeding \$24,000,000.00 aggregate principal amount of its Colonial Pinnacle Community Development District, St. Tammany Parish, State of Louisiana, Special Assessment Bonds, Series 2008, in one or more series, on one or more issuance dates (collectively, the "Bonds"), in order to pay all or a portion of the design, acquisition and construction costs of certain infrastructure improvements from time to time constructed, established, or installed in the District, for the District, which Bonds will be issued pursuant to the Act and a Master Trust Indenture dated as entered into between the District and Hancock Bank, Baton Rouge, Louisiana as Trustee.

The Master Trust Indenture dated as of March 1, 2008, included provisions for the issuance of the Special Assessment Bonds, Series 2008, in the aggregate principal amount of not to exceed \$24,000,000.00. The Bond issue was collateralized by the pledged revenues of special assessments levied against the benefitted property. The District is not obligated in any manner for the special assessment debt.

At June 30, 2009, the balance in Bonds Payable was \$24,000,000.00. Pursuant to Amendment Number 1 of the Master Trust Indenture dated November 1, 2009, and a Letter of Direction dated December 15, 2009, the Series 2008 bonds were called in the amount of \$24,000,000.00 in aggregate principal. In order to accomplish the redemption, the Trustee was directed to transfer all the monies on deposit in the various funds and accounts of the issuer to the Bond Redemption Fund, less and except i) \$203,711.15, which amount shall remain in the Interest Account of the Debt Service Fund and be used to pay accrued interest on the Bonds to the date of redemption, and ii) \$71,000.00, which amount has been allocated to pay costs of satisfaction. In addition, the Trustee was to retain \$5,000.00 in the Debt Service Fund pending final arbitrage calculation. Additionally, any residual funds remaining after completion of the transactions required by the bond redemption and satisfaction shall be paid to the Developer a's additional consideration for the satisfaction of the bonds.

9. CURRENT OBLIGATIONS

At December 31, 2010, the District accrued professional fees payable in the amount of \$6,250.00. In addition, pursuant to the Letter of Direction dated December 15, 2009, the developer is to receive any residual funds remaining after completion of the Redemption and Satisfaction Proposal. The amount of these residual funds is \$10,828.27

10. CONSTRUCTION COMMITMENTS

The District has no outstanding contracts for professional or contract services as of December 31, 2010.

11. RISK MANAGEMENT

The District has been dissolved as of December 31, 2010 and as such, the District is no longer exposed to various risks of loss related to torts, damage to, and theft or destruction, of assets, errors and omissions and natural disaster.

12. RELATED PARTIES

Certain Board members are employed by the Developer of the District.

The District sold certain property to the Developer as described in Note 6.

13. CONTINGENCIES

As of December 31, 2010, according to legal counsel, the District did not have any pending litigation or potential nondisclosed liabilities that management believes would have a material effect on the financial statements.

14. PER DIEM PAID TO BOARD MEMBERS

Board Members of the Colonial Pinnacle Community Development District did not receive any per diem payments during the eighteen months ending December 31, 2010.

15. ANNUAL BUDGET

Pursuant to section 9.18 of the Master Trust Indenture, the District is required to adopt an annual budget. Amendment Number 1 of the Master Trust Indenture dated November 1, 2009, and a Letter of Direction dated December 15, 2009, redeemed the Series 2008 bonds. On the Parish Council of St. Tammany Parish dissolved the District. Due to redemption of the bonds as indicated in and the dissolution of the district, the adoption of a budget was no longer required.

16. DISSOLUTION OF THE DISTRICT

The Series 2008 Bonds were issued pursuant to a Trust Indenture to finance certain capital infrastructure improvements. In a effort to restructure the bonded indebtedness, the developer, CP Nord du Lac JV, LLC became the sole owner of the outstanding bonds and consented to the redemption of the bonds.

In order to accomplish the redemption of the bonds and the dissolution of the district, the District had to transfer and/or sell all of its assets and eliminate its liabilities.

To transfer and sell its capital assets, on October 1, 2009, the District adopted Resolution 2009-3 in which the District donated a certain piece of property and the roadway thereon to the Parish of St. Tammany. The cost of the of the land and roadway was \$3,724,652.68. On October 23, 2009, the Board of Supervisors adopted Ordinance 2009-3 which declared certain District property surplus and no longer needed for public purpose. Louisiana Revised Statute 41:1338 requires the District to first offer the property to sale to the party from whom the property was acquired. The property was acquired from CP Nord Du Lac JV, LLC. The District approved the offer of the Property for sale at a price equal to the fair market value as established by a licensed appraiser to CP Nord Du Lac JV, LLC. The original cost of the land \$2,165,940.34 and the sales price was \$2,546,000.00, resulting in a gain of \$380,059.66 on the sale of the land.

To eliminate its liabilities, the District, adopted Bond Resolution 2009-4 approving the redemption and satisfaction of the bonds. Pursuant to Amendment Number 1 of the Master Trust Indenture dated November 1, 2009, and a Letter of Direction dated December 15, 2009, the Series 2008 bonds were called in the amount of \$24,000,000.00 in aggregate principal. In order to accomplish the redemption, the Trustee was directed to transfer all the monies on deposit in the various funds and accounts of the issuer to the Bond Redemption Fund, less and except i) \$203,711.15, which amount shall remain in the Interest Account of the Debt Service Fund and be used to pay accrued interest on the Bonds to the date of redemption, and ii) \$71,000.00, which amount has been allocated to pay costs of satisfaction. In addition, the Trustee was to retain \$5,000.00 in the Debt Service Fund pending final arbitrage calculation. Additionally, any residual funds remaining after completion of the transactions required by the bond redemption and satisfaction shall be paid to the Developer as additional consideration for the satisfaction of the bonds.

The remaining asset, money in a trust account with Hancock Bank of Louisiana, in the amount of \$17,078.27 was earmarked of the payment of professional fees in the amount of \$6,250.00 and the residual

amount of \$10,828.27 to be paid to the developer as additional consideration for the satisfaction of the Bonds.

The District, having redeemed all of its outstanding debt and transferring and selling all of its infrastructure, no longer served the purpose for which it was created and on November 4, 2010, the St. Tammany Parish Council adopted Ordinance 10-2376 which dissolved the District.

17. SUBSEQUENT EVENT.

After the sale and transfer of its capital assets, redemption of the bonds and dissolution of the District, \$17,078.27 remained in Trust at Hancock Bank of Louisiana. Subsequent to year end, this money was used to pay \$6,250.00 in professional fees and \$10,828.27 was paid to the developer as additional consideration.

Subsequent events have been evaluated by the District's management through June 4, 2011.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**Colonial Pinnacle Community Development District
1001 Service Road East, Hwy. 190, Suite 103
Covington, LA 70433**

I have audited the financial statements of the governmental activities and each major fund of the Colonial Pinnacle Community Development District (the "District"), as of and for the eighteen months ended December 31, 2010, which collectively comprise the District's basic financial statements and have issued my report thereon dated June 4, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not

express such an opinion. The results of my tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is reported on the accompanying schedule of findings and questioned costs as item 2010-1. The District's response to the findings identifies in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the District's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, the District's Board of Directors, others within the entity, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Sincerely,

BRANDY WESTCOTT, LLC



Brandy Westcott Garcia, CPA
Member

June 4, 2011

**Colonial Pinnacle Community Development District
Schedule of Findings and Questioned Costs
For the Eighteen Months Ended December 31, 2010**

I have audited the basic financial statements of the Colonial Pinnacle Community Development District, as of and for the eighteen months ended December 31, 2010, and have issued my report thereon dated June 4, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2010, resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ☐ Yes ☒ No Significant Deficiencies ☐ Yes ☒ No

Compliance

Compliance Material to Financial Statements ☒ Yes ☐ No

b. Federal Awards ☒ Not Applicable

Internal Control

Material Weaknesses ☐ Yes ☐ No Significant Deficiencies ☐ Yes ☐ No

Type of Opinion On Compliance	Unqualified <input type="checkbox"/>	Qualified <input type="checkbox"/>
For Major Programs	Disclaimer <input type="checkbox"/>	Adverse <input type="checkbox"/>

Are there findings required to be reported in accordance with Circular A-133, Section .510(a)?

☐ Yes ☐ No

Was a management letter issued? ☐ Yes ☒ No

c. Identification of Major Programs:

CFDA Number(s)

Name of Federal Program (or Cluster)

Dollar threshold used to distinguish between Type A and Type B Programs: \$ _____

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? ☐ Yes ☐ No

Section II Financial Statement Findings

Finding 2010-1 Compliance Questionnaire (Noncompliance)

Criteria: LA RS 24:513A(5)a requires audits submitted to the Legislative Auditor to be performed in accordance with the *Louisiana Governmental Audit Guide*. The *Louisiana Governmental Audit Guide* requires that the government complete, adopt and provide to the auditor, the appropriate compliance questionnaire at the beginning of the audit. The cover letter from the Legislative Auditor attached to the compliance questionnaire requires that the questionnaire be adopted by the governing board by means of a formal resolution, which is also to be provided to the auditor at the beginning of the audit.

Condition: The appropriate compliance questionnaire was not completed.

Cause: Dissolution of the District prior to audit.

Effect: The District is not compliant with the above referenced Revised Louisiana Statute.

Recommendation: The Board should adopt the appropriate compliance questionnaire through formal resolution and provide such questionnaire and resolution to the auditor at the start of the audit.

Management's Response: The Board was unable to adopt the questionnaire as the District was dissolved at the start of the audit.

Section III Federal Award Findings and Questioned Costs

No Section III Findings.

**Colonial Pinnacle Community Development District
Schedule of Prior Year Findings and Questioned Costs
For The Eighteen Months Ended December 31, 2010**

Section I Internal Control and Compliance Material to the Financial Statements

2009-1 Timely Issuance of Audit

The audit of the year ended June 30, 2009 should have been completed and issued by December 31, 2009. The audit was issued subsequent to the deadline. The District should complete and issue the audit within statutory requirements.

Current Year Status: The current year audit was completed on time.

2009-2 Adoption of Compliance Questionnaire

The Louisiana Governmental Audit and Accounting Guide requires that all entities subject to the audit requirements of LRS 24:513 must prepare and adopt a prescribed compliance questionnaire. The Colonial Pinnacle Community Development District Board did not complete nor adopt the required questionnaire.

Current Year Status: Finding repeated. See Finding 2010-1.

Section II Internal Control and Compliance Material to Federal Awards

No Section II Findings.

Section III Management Letter

No Section III Findings.

This schedule was prepared by management.



BRANDY WESTCOTT, LLC
CERTIFIED PUBLIC ACCOUNTANT
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To the Board of Supervisors of
Colonial Pinnacle Community Development District

I have audited the financial statements of the governmental activities and each major fund of Colonial Pinnacle Community Development District (the "District"), for the eighteen months ended December 31, 2010, and have issued my report thereon dated June 4, 2011. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of my audit. Professional standards also require that I communicate to you the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in my engagement letter dated November 2, 2010, my responsibility, as described by professional standards, is to *express opinions* about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

As a part of my audit, I considered the District's internal control over financial reporting. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

As a part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

My responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

I am responsible for communicating significant matters related to the audit that are, in my professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, I am not required to design procedures specifically to identify such matters.

My responsibility for other information in documents containing the entity's financial statements and report does not extend beyond the financial information identified in the report. I do not have an obligation to perform any procedures to corroborate other information contained in these documents, such as management's discussion and analysis and supplementary budgetary statements.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you in my Entrance Memorandum about planning matters on February 16, 2011.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation expense and useful life of capital assets is based on policy guidelines. I evaluated the key factors and assumptions used to develop the capital asset policy in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of Assessment Methodology in Note 1 to the financial statements.

The disclosure of Benefit Special Assessments and Maintenance Special Assessments in Note 4 to the financial statements.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No adjustments were identified in the course of my audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated June 4, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the government unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

The District redeemed all bonds and was dissolved prior to the period ended December 31, 2010. This raises substantial doubt about its ability to continue as a going concern.

During procedures described in the *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*, I identified one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which are reported in the Schedule of Findings and Questioned Costs as Findings 2010-1.

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

This information is intended solely for the use of the members of the Board of Supervisors of Colonial Pinnacle Community Development District and its management, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BRANDY WESTCOTT, LLC



Brandy Westcott Garcia, CPA
Member

June 4, 2011